

REVIEW OF FEDERAL TECHNOLOGY
SERVICE'S TELECOMMUNICATIONS
ORDERING AND PRICING SYSTEM
REPORT NUMBER A060151/T/6/Z06003
SEPTEMBER 25, 2006

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Date : September 25, 2006

Reply to

Attn of : Heartland Region Field Audit Office (JA-6)

Subject : Review of Federal Technology Service's Telecommunications Ordering and Pricing System
Report Number A060151/T/6/Z06003

To : James A. Williams
Commissioner, Federal Technology Service (T)

Wanda M. Smith
Acting Assistant Commissioner, Regional Services (TR)

This report presents the results of our survey of the Review of Federal Technology Service's (FTS) Telecommunications Ordering and Pricing System (TOPS). This review was included in the Office of Inspector General's Fiscal Year (FY) 2006 Annual Audit Plan.

Background

TOPS is an automated system that supports the General Services Administration's (GSA's) local telecommunications business line by providing integrated online ordering and consolidated billing via the internet. For local telecommunications, all GSA regions, with the exception of the National Capital Region¹ use TOPS to receive, process, and fulfill service orders from customer agencies. TOPS also generates invoice and payment information used by GSA's Finance Center to bill customer agencies and pay invoices from industry partners. TOPS facilitates this process for approximately 25,500 customers and 300 industry partners. Over \$200 million in local telecommunication services are ordered and billed through TOPS annually.

¹ The Washington Interagency Telecommunications System (WITS) provides local telecommunications to Federal agencies in the National Capital Region (NCR). The NCR uses both TOPS and the Monthly Online Records and Reports of Information Technology Service (MORRIS) to provide billing services to customer agencies on the WITS contract.

Objectives, Scope and Methodology

The objectives of our survey were to 1) gather information on the business and programmatic requirements for TOPS, 2) assess managerial, operational, and technical controls, and 3) identify high-risk areas related to timeliness and accuracy of customer agency billings, industry partner payments, and service delivery.

To accomplish these objectives, we:

- Held discussions with TOPS officials including TOPS system personnel, GSA Financial Service Center (FSC) staff, and TOPS users;
- Flowcharted the business process supported by TOPS from initiation of an order through billing customer agencies and paying industry partners;
- Assessed the control objectives and control techniques for each phase of the business process that TOPS supports;
- Reviewed previous audit work and reports;
- Reviewed the Office of Management and Budget (OMB) Capital Asset Plan and Business Case (Exhibit 300) from March 2006;
- Obtained financial statements from FY05 and FY06 through January 31;
- Reviewed the most recent Federal Managers' Financial Integrity Act report, OMB's FY00 and FY05 A123 reports, and the March 2005 management control review for the TOPS program;
- Reviewed the June 2005 TOPS and TOPS eBill customer satisfaction results; and
- Reviewed TOPS helpdesk records from April 2006.

We conducted the survey work during March through August 2006 in accordance with generally accepted Government auditing standards.

Results of Review

After completion of the survey portion of our review, we have determined that further audit work is not warranted at this time. Our preliminary assessment indicated that existing controls appear adequate to sufficiently minimize risks related to timeliness and accuracy of customer agency billings, industry partner payments, and service delivery.

Current Status of TOPS

Increasing Use of Internet Protocol (IP) Telecommunications. Telecommunications within government agencies is shifting from traditional desktop devices and local telecommunication services to IP telecommunication systems. TOPS officials estimate that 10 percent of their customer base will shift to IP each year for the next several years and that the majority of customer agencies will be using IP within ten years.

TOPS officials informed us that as this transition occurs, they will transform the existing long distance system (MORRIS) into a new system (eMORRIS) to perform the current

functions of both TOPS and MORRIS. Therefore, within ten years, TOPS will be phased out as the ordering and billing system for local telecommunication.

Investment Status. TOPS is considered a steady state information technology investment. For FY06 and future fiscal years, all planned monetary spending is for system maintenance purposes as opposed to development, modernization, and enhancement purposes. Further, the investment summary for TOPS indicates that the planned costs for the system will decrease with each fiscal year.

TOPS Risks and Current Controls

To evaluate the current risks related to TOPS and the current controls in place to mitigate or minimize those risks, we examined the business process that TOPS supports. We identified three primary TOPS processes: 1) order placement and release, 2) order fulfillment and invoicing, and 3) reconciliation and customer billing. The following sections of this report outline the business process, highlight some of the present risks, and detail current controls in place to mitigate or minimize those risks.

Order Placement and Release. There are two ways in which a local telecommunication service order can be placed in TOPS. An approved customer agency representative can input an order directly, or a customer can contact their local FTS Area Telecommunication Manager (ATM) to input the order on their behalf. When a customer inputs the order into TOPS, the ATM verifies the accuracy of the order detail and sends the order to the industry partner via fax or email.

The primary risks in this phase of the process are that a customer agency may order services outside the scope of the contract and/or that the ATM will not forward the order to the industry partner in a timely manner or at all.

We determined that TOPS will not process an out-of-scope order because the ATMs load the contract information directly into the system. We also determined that the risk is minimal that an ATM will not forward an order to an industry partner. ATMs access TOPS daily to view outstanding orders. Further, each ATM is assigned a back-up ATM in the event of their absence. After assessing these risks and analyzing the controls in place for the order placement and release phase, we believe the risks are minimal.

Order Fulfillment and Invoicing. After the industry partner receives notice of an order, the industry partner faxes or emails the ATM an order number and an estimated completion date. The industry partner then performs the work and sends either a hard-copy or electronic invoice for the work to the FTS Financial Service Center (FSC) in Atlanta, Georgia. After the estimated completion date passes, the ATM enters a completion notice in TOPS.

The primary risks associated with this phase of the process are that the industry partner will not inform the ATM of the order number and estimated completion date in a timely manner or at all, the ATM will not enter the completion notice in TOPS in a timely

manner or at all, and/or the industry partner will not perform the work in a timely manner or at all.

We determined that if the industry partner does not inform the ATM of the order number and estimated completion date, the ATM will not enter the completion notice in TOPS. If the ATM does not enter the completion notice in TOPS, the FSC will not process the order for payment. If the industry partner does not perform the work, the customer agency would dispute the charges. Another control in place to ensure that the industry partner fulfills the order in a timely manner is their base contract with GSA, which requires the industry partner to perform the work within 5 days.² After assessing these risks and analyzing the controls in place for the order fulfillment and invoicing phase, we believe the risks are minimal.

Reconciliation and Customer Billing. After the FSC receives the industry partner's invoice and views the completion notice in TOPS, the FSC analyst completes the receiving report within TOPS. TOPS generates a customer billing report, which is sent electronically to the GSA Finance Center in Fort Worth, Texas, for customer agency billing and industry partner invoice payment. TOPS also generates online billing information through a system called eBill for customer agency viewing.

The primary risks in this phase of the process are that the FSC will not complete the receiving report in a timely manner or at all and/or that the industry partner invoices received by GSA are incorrect.

We determined that if the FSC analyst does not complete the receiving report, GSA will not pay the industry partner for services provided. In addition, on a monthly basis, the FSC compares income and expense reports that highlight any variances between customer agency billing information and industry partner payment information. After assessing these risks and analyzing the controls in place for the reconciliation and customer billing phase, we believe the risks are minimal.

Additional Controls and Risk Mitigating Factors

TOPS Activity. We determined that approximately 80 percent of all customer agency billings that flow through TOPS are for recurring charges (e.g., existing telephone lines). Given that the majority of the billing activity is for recurring charges already loaded into the system, the risk for inaccurate billings is reduced.

Separation of Duties. We determined that both an ATM and an analyst at the FSC must take action for an order to be processed through the system. In addition, customer agency representatives cannot independently process an order through TOPS, and industry partners do not have access to TOPS. This separation of duties is an additional factor that reduces overall risk.

² If a work order is too large for the industry partner to complete within 5 days, the partner can negotiate the completion timeframe directly with the agency end user.

Financial Statement Reviews. Our review of GSA's FY04 and FY05 financial statement audits indicated extensive testing of TOPS accounting and technical controls. At the time of our review, all TOPS related findings were resolved.

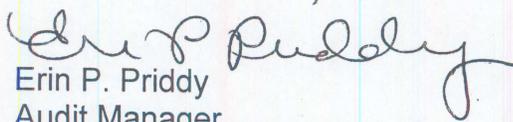
Customer Surveys. We reviewed the TOPS and the TOPS eBill Customer Satisfaction Survey results from June 2005. On the TOPS survey, customers responded that they were "satisfied" for the majority of the questions. For the eBill survey, customers answered that they were "satisfied" with eBill on every question. The survey results did not indicate any pervasive issues with timeliness or accuracy.

Conclusion

Considering the current status of TOPS, the risks and controls present in the TOPS process, along with the additional controls and risk mitigating factors identified during the survey phase of this review, we have determined that further audit work is not warranted at this time. Our preliminary assessment indicated that existing controls appear adequate to sufficiently minimize risks related to timeliness and accuracy of customer agency billings, industry partner payments, and service delivery associated with TOPS.

Please note that this report is informational only and as such, neither a written reply is required nor is the report subject to the audit resolution process.

If you have any questions concerning this review, please address them to Michelle Westrup or me at (816) 926-7052.



Erin P. Priddy
Audit Manager
Heartland Region

APPENDIX

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
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